



MEMORANDUM

DATE: September 8, 2021

TO: USAID/Kenya and East Africa, Mission Director, Mark Meassick

FROM: USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

SUBJECT: Financial Closeout Audit of USAID Resources Managed by East African Community in Multiple Countries and Under Multiple Awards, July 1, 2018, to September 30, 2020 (Report No. 4-623-21-011-N)

This memorandum transmits the final audit report on USAID resources managed by the East African Community (EAC) through the Lake Victoria Basin Commission, EAC Secretariat, and East African Health Research Commission under assistance agreement 623-AA-09-002-00-EAC (Implementation letters 623-IL-Nos. 3, 4, 7, 8, 9, 10, 11, 12, 13, 15 and 16); and Regional Development Objective Grant Agreement 623-RDOAG-EAC-16-00-01 (Implementation letters 623-IL-16-EAC-RDOAG-ENV-1; 623-IL-16-EAC-RDOAG-HPN-1; and 623-IL-16-EAC-RDOAG-OEG-1) in Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda.

USAID/Kenya and East Africa contracted with the independent certified public accounting firm PricewaterhouseCoopers, Nairobi, Kenya, to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS). However, it did not have continuing professional education and an external peer review that fully satisfied the requirements of GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on EAC's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate EAC's internal controls; (3) determine whether EAC complied with award terms and applicable

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

laws and regulations; and (4) review the implementation status of the prior period recommendations.

To answer the audit objectives, PricewaterhouseCoopers (1) audited the fund accountability statement for the award including the budgeted amounts by category and major items and the revenues received from USAID for the period covered by the audit and the costs reported by EAC as incurred from July 1, 2018, to September 30, 2020; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to EAC's ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; (3) identified the award terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the fund accountability statement; and (4) reviewed the implementation status of the prior period recommendations. EAC reported expenditures of \$2,581,964 in USAID funds during the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. The audit firm identified \$6,464 in total questioned costs (\$582 ineligible and \$5,882 unsupported); no material weaknesses in internal control; and three instances of material noncompliance, two of which specifically related to the questioned costs identified. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation for the questioned costs and related noncompliance instances. Nevertheless, we suggest that USAID/Kenya and East Africa determine the allowability of the \$6,464 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the ten significant deficiencies noted in the report, we suggest that USAID/Kenya and East Africa determine if the recipient addressed the issues noted. The audit firm also issued a management letter.

During our desk review, we noted a minor issue which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated September 8, 2021.

To address the issues identified in the report, we recommend that USAID/Kenya and East Africa:

Recommendation 1. Verify that East African Community corrects the one instance of material noncompliance detailed on pages 48 to 50 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").